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POTSDAM MUST GO

by William Henry Chamberlain

The decision to raise the permitted level of industrial output in the American and British zones of occupation in Germany is a step in the right direction. But this advance, announced on August 29, is short, halting and inadequate. Unless quickly followed by much bolder action in giving full political and economic independence and responsibility to Western Germany, the American occupation will be remembered as a very expensive experiment in complete frustration.

Before this decision the German economy was regulated by the Potsdam Agreement, signed by Truman, Attlee and Stalin in August, 1945, and by the subsequent level-of-industry agreement of March, 1946, in which representatives of the United States, Great Britain, the Soviet Union and France concurred. That ably edited British publication, the Economist, gave an accurate, penetrating and eloquent characterization of Potsdam, when it wrote, immediately after the terms of the agreement were made known:

> "The Potsdam settlement will not last ten years, and when it breaks down there will be nothing but the razor-edge balance of international anarchy between civilization and the atomic bomb. . . . It has in it not a single constructive idea, not a single hopeful perspective for the post-war world. At the end of a mighty war fought to defeat Hitlerism the Allies are making a Hitlerian peace. This is the real measure of their failure."

Fortunately, Potsdam broke down not after ten years, but after two. It was the most diabolically ingenious scheme ever devised for slowly and indiscriminately starving an entire people. The most charitable explanation of the behavior of some of its signatories is profound and abysmal ignorance of what they were doing.

Within its shrunken frontiers Germany was required to maintain a much larger population than in pre-war times, because of the enormous influx of expelled refugees from the area east of the Oder and Neisse, from the Sudetenland and from ethnic German groups in other European countries which were subjected to deportation. German agriculture was already occupied to the saturation point.

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The only solution for the situation thus created was more intensive development of industry and foreign trade. But the provisions of the Potsdam and the first level-of-industry agreements were so framed as to ruin any prospect of German industrial recovery. The total level of permitted output was set approximately at the figure of 1932, one of the worst depression years in German history.

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Had Germany been left to sink under the terms of the Potsdam Agreement, mass starvation, on a scale never known in modern Europe, would have been the inevitable result in its urban, highly industrialized western regions. Fortunately the American and British peoples were not as deliberately and callously wicked as the phrasing of the Potsdam instrument would suggest.

At heavy annual cost to the occupying Powers (falling, in the last account, on that patient beast of burden the American taxpayer) the Germans were given enough emergency rations to prevent wholesale mortality. As one observer put it, they were not given enough to live on, and not enough to die on.

A ridiculous situation has developed, in which the Germans are being subsidized by the United States, on the barest subsistence living standard, in order to prevent them from supporting themselves. Mr. Hoover's statesmanlike reports, after he was sent to Germany and Austria on an investigating mission early this year, has helped greatly to bring home the absurdity of a policy which has results of this character.

The new level-of-industry statement is belatedly designed to permit the Germans to help themselves. The year 1936, one of moderate well-being, is taken as the standard, instead of 1932. The permitted annual output of steel, under the new project, is almost doubled, being raised from 5,800,000 tons to 10,700,000 tons. There are substantial increases in the allowed production of chemicals, machine tools, automobiles and trucks. There are corresponding cuts in the reparations allotments from these various German industries.

But it would be a grave illusion to imagine that the gaping wound in the body of Europe's economy will be healed by the new decision, permitting more generous production allotments for German industries. The decision does not go nearly far enough. Next week almost 700 more German factories are scheduled for dismantling in the British and American zones of occupation. Some of this equipment will be shipped to Russia, for reassembly there. Simultaneously we hear that feeding Germans whom we are throwing out of work may cost the American taxpayers $600,000,000 more than already appropriated for the current fiscal year.

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Many other criticisms of detail could be made. But what is fundamentally wrongheaded is the persistence in the very idea of a "permitted level" of German industrial production. The outlook for European recovery would be infinitely more hopeful if all limitations on the output of Germany's factories, a few specifically defined military industries excepted, were swept away. Instead of removing limitations we still prefer to remove factories, subsidize those thrown out of work, and give supplies to other nations dragged down by German pauperization.

In a world suffering from too much worthless money and too few consumers' goods, there is not the slightest justification for any artificial restriction of production anywhere. What is being forced on Germany now is a kind of negative Socialist planned economy. The Germans are told by their conquerors that they can never produce more than this or that amount of steel, chemicals, tractors, trucks, etc.

We know from the experience of two countries so different in historical background and national temperament as Britain and Russia that a positive planned economy is not the panacea its advocates suggest. Both Russians and Britons have often failed to reach planned targets of production in this or that industry.

But if positive Socialist planning often falls short of its aims, what can one expect from crippling negative planning, imposed on a beaten people by conquerors who disagree vigorously among themselves? Obviously nothing other than what we are facing: failure and frustration, the paralysis of German production and the dangerous retarding of European recovery.

Americans have been slow to the point of stupidity in recognizing the inseparable connection between the revival of German productivity and the economic recovery of Europe. But, if there could be any reasonable doubt on this subject, it should be dispelled by the report of the sixteen nations which have applied for American economic and financial aid under the Marshall plan. One cautiously worded sentence in this sober analysis is a devastating indictment of the economic folly of the schemes for extinguishing German industry embodied in crudest form in the notorious Morgenthau Plan and in slightly, but only slightly, milder form in the Potsdam Agreement. HUMAN EVENTS has already quoted this sentence, but it bears repetition:

> "Further advance from the levels of autumn of 1946 would, in any case, have been difficult in view of the continued inability of the German economy to supply the coal and other products upon which so much of Europe's economic life depends."

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The time has long passed when palliatives and face-saving half measures can do any good in Germany. Revision of Potsdam is not enough. The whole conception of arbitrary foreign limitation of German output must be scrapped. And only the Germans themselves can restore some modest measure of economic order and well-being in a bomb-wrecked, half starved country where cigarettes have replaced worthless paper money as a standard of value and where the prodigious influx of penniless refugees creates a social problem of staggering difficulty.

It is futile to expect German industry and foreign trade to revive under the smothering sponsorship of American and British military and civilian officialdom. It is unreasonable to expect that British bureaucrats, conspicuously unable to induce British miners to produce the coal so vital to British economic welfare, will be more successful with German miners in the Ruhr.

There will be a genuine prospect of German economic recovery, which will permit a general European recovery, only when and if German businessmen are permitted freely to seek out old trade connections from Scandinavia to Argentina, when the thousand vexatious controls of military occupation are abandoned, when Germany will again be in free contact with the outside world. And at the present moment there seems little chance that a constructive agreement with the Soviet Union about the future fate of Germany can be reached in November.

We have already waited much too long for such an improbable agreement. Assuming that the November conference of Foreign Ministers will fail, as the Moscow conference failed last spring, there should be an immediate de facto, if not de jure, peace with a representative government of Western Germany. The character of the occupation should be drastically changed and should take on a civilian advisory character. There should be a quick windup of the silly and frustrating inquisition which goes by the name of de-Nazification. It is good news that General Clay is apparently beating a very rapid retreat on this front.

It is not enough to breach, or even scrap, a thoroughly vicious and stupid policy, as America and Britain did in raising the permitted level of industry. We must replace it with a creative and intelligent policy, designed to attach the Germans firmly, and on a basis of equality, to the Western bloc which, one hopes, may be the nucleus of a future union of all European states.

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Not Merely Gossip *A Supplement to* Human Events VOL. IV, NO. 43

By Frank C. Hanighen October 22, 1947

The American political situation resembles nothing so much as one of those weather maps with wavy lines, which describe formidable semicircles in some areas (marked "High") and straightening out calmly in others. Take the Eisenhower boom. According to some of our informants, a large wedge of warm Eisenhower air has been gathering in the East and shows signs of advancing triumphantly through the West. On the other hand, western sources tell us that it would encounter an impregnably chilly atmosphere out there.

One whom we shall call Socraticus, in New York, thinks that the Eisenhower boom is "more than a fancied threat". He says that a lot of political leaders have been speculating as to Taft's decision about his candidature. The Dewey forces, he reports, would rather like to see Taft announce that he will run; they do not fear Taft and would not like it if he were to withdraw from the race. For they would then have to combat an Eisenhower wave of sentiment with no Taft campaign as a windbreak. In the latter case, a real Eisenhower vs. Dewey situation would ensue, and Vanderberg -- that perennial compromise figure -- would come to the fore again.

But one whom we shall name Agricola, in the Middle West, takes a different view. He claims that the Eisenhower boom has made no progress beyond the Appalachians. The politicos do not like him, and those who fancy a general prefer MacArthur. The noise about Eisenhower, he insists, comes from New York and Washington (there was venom in his midwestern accent); from such fickle Maecenases as Tom Watson of the International Business Machines and from Washington newspapermen (we winced) who want something to write about. Anyway, this divergence of views bears out our claim that the situation is very like a barometric map.

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Before the depression Robert and Helen Lynd wrote a book entitled Middletown, exhaustively describing the social, economic and political attitudes of Muncie, Indiana; and they followed it in 1937 with a sequel, Middletown in Transition. Today, some enterprising publisher would be well advised to have the Lynds cover the by-election to be held November 4 in the 10th Indiana Congressional District, of which Muncie is the principal city. How far the Taft-Hartley Act has influenced voters, and how the Muncie man-in-the-street reacts to other issues should offer good indications of political trends, particularly in the Middle West.

For, in the 10th Indiana, as well as in the neighboring 4th Ohio district (where another by-election will be held on the same day), observers will watch for confirmation of trends seen in the 8th Pennsylvania, held on September 9. Both the Indiana and Ohio districts have electoral histories similar to the 8th Pennsylvania: traditionally Republican, but Democratic from 1932 to 1938. And both have sizable industrial cities: Muncie, Indiana; Lima, Ohio. Republicans should win the districts, but the vote in those two cities should be scrutinized. Two differences, however, appear: (1) organized Labor seems disinclined to wage campaigns in these districts (as it did in the Pennsylvania 8th, to its sorrow); and (2) the two districts have conservative Democratic candidates.

Other by-elections possess less interest. The one on Cape Cod seems destined to go to the Republicans, as it has for decades. The Brooklyn by-election should be as safe for the Democrats as one in South Carolina. A friend in New York writes us: "A tree may have grown in Brooklyn, but, if so, it was not nourished by the Republican organization there."

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The skein of principle and the skein of expediency have become so entangled in the course of the dispute over the efficacy of the Luckman food conservation committee, that not only the confused public but also some of the knowing boys in the daily press have lost the main thread. Some good reporting went into the discovery that the famous soap executive was something less than a wizard in his new role. But too many of the debunkers lost sight of a long-range strategy behind the whole business, which was probably not in Mr. Truman's mind, but was surely in the calculations of some of his advisers.

The debunkers were composed of (1) the McCormick-Patterson and various other reporters; and (2) PM and the New Dealish reporters. The former are against any regulations, voluntary or enforced; the latter would like to see the Luckman voluntary plan fail so as to prepare for enforced controls, the OPA, etc. This last objective seems to be the long-range plan of the Left Wing of the White House.

Suddenly, on October 17, Mr. Truman, of all persons, lifted his voice above the uproar and placed the whole matter on the basis of principle. At his press conference on that day, the President in his defense of the Luckman committee, said that enforced controls are "police State" methods, and that he meant OPA, too. The Luckman effort, he said, was an attempt to accomplish by voluntary, free-enterprise methods what totalitarian States do by police methods.

The first group of debunkers enjoyed the interview. John O'Donnell of the New York Daily News pointed out that when the President said this, Clark Clifford (Left Wing adviser) was visibly embarrassed. And the shrewd Arthur Krock of the Times, who had undoubtedly seen the fly in the ointment right along, observed that the Republicans might well capitalize on the Truman statement. Indeed, if the Left Wing clique in the White House should sell the President on "police State" controls, then the President's words would arise to plague him.

Hence the New Dealish reporters played down the President's statement or dropped the whole matter. Their friends, like Mr. Clifford, would like to have these words forgotten. But the President has spoken, has affirmed a fundamental principle widely overlooked during the Luckman controversy -- whatever he does or says in the future.

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The de Gaulle victory is more welcome than a Communist victory, say official circles in appraising the French municipal elections, but these circles are by no means happy over the rapid revival of "Big Charlie". He has been a reckless driver in the past, and his dictatorial tendencies could lead to a national smash up. It is reported that President Vincent Auriol (a Socialist) just before the elections remarked that he would resign if de Gaulle took power -- an illustration of how strongly French Socialists oppose the de Gaulle movement. And the Socialists, incidentally, did not do badly at the polls. All this points to trouble ahead. On the other hand, some observers think that de Gaulle has learned from his previous political mistakes and may proceed cautiously.

Whatever happens, some American observers recently returned from France are irritably wondering if either the French Government or de Gaulle will "come clean" and tell the French people what America has been doing to keep France from economic collapse. Forty million Frenchmen, they say, do not realize that the United States has been sending France huge quantities of food, coal, raw materials and machinery. The Socialist government has been afraid to release the figures and give them any publicity because it fears that the Communists would redouble such accusations as "Ramadier is the tool of American capitalism".

The Communists, for their part, have not brought out the true picture because they want to give the impression that only Russia is helping France. As a result, the average Frenchman remains quite unaware of the volume of American goods

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which have been pouring into France. He only knows that the "Marshall plan" promises much, but that it is not yet in existence. The realistic Frenchman prefers a bird in hand to one in the bush. It is about time, say these American observers, that the United States should insist that Frenchmen be informed of how useful American capitalism has been to France in the past few years.

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The situation resulting from the UN committee's approval of the Palestine partition is now in an uncertain state. Zionists accuse the U. S. Government of backsliding. They say that the Administration is getting "cold feet", failing to put pressure on various delegations, particularly those from Latin America, to vote in the final ballot for partition. There is little doubt that some Administration advisers are worried about the problems arising from partition.

For one thing, since it is now clear that the Arabs -- whatever else they may do -- will not co-operate in making partition a success, the economic and political difficulties of the scheme appear formidable. How can the zones do business with the complications resulting from territorial surgery? For such complications would involve communications and irrigation. And would it not be likely that the Arabs would sabotage the irrigation system, with damaging effects on agriculture?

Also, Russia's assent to partition looks like a gift from the Greeks. However much bluff there is in the Arabs' threat to surround Palestine with armies, there is little doubt that the Arabs will try from now on to arm and to put some forces on the border. The United States would hardly provide them with arms; but Russia would, for the Russians like to fish in troubled waters. Military men know only too well that control of the arms and ammunition supply of countries leads to political control.

Finally, if Russia insists on a share in the policing of Palestine, Moscow would then insist on maintaining a line of communications, which would mean demands for stationing troops in Turkey and in certain Arab states. That is one reason why the United States has proposed "voluntary" police forces. But so far no one knows how "voluntary" forces can be raised. Meanwhile Britain insists on pulling out its forces. No wonder, in view of all this, that the Palestine partition is seen through a glass darkly.

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The Art of Thinking Department. In Byrnes' Speaking Frankly, the former Secretary of State relates how Stimson expressed his disapproval of the Morgenthau Plan to the President. Byrnes says: "The President agreed with Mr. Stimson and told the Secretary of War he did not know how he had initialed that particular language in the Quebec Agreement. It must have been done, he said, without much thought."

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Haven't we heard all this somewhere before? "Primarily rent control is to blame", says the Norwegian journal Farmand (August 2), "for the fact that so few houses and apartments were built during the post-war period. Do away with rent control and requisitioning, and people will build. Balance can be restored in the short run by abolishing rent control. Do that, and the supply of housing accommodations will increase immediately. And voluntarily. But will not such a step bring about a sharp increase in rents? Undoubtedly. But why should rents be 10 per cent below the pre-war level, when everything else is from 60 to 150 per cent higher? Besides, there are many camouflaged black market transactions at higher rents."

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Book Events

The von Hassell Diaries, 1938-1944, edited by Hugh Gibson. New York: Doubleday and Company, $3.00. Reviewed by J. M. Lalley.

We have here, unless I mistake, an important documentary source for the history of the tremendous epoch from which the world has lately emerged. Ulrich von Hassell was a native of Hanover and a professional diplomat of long experience and wide acquaintance almost everywhere in Europe. At the end of 1937 he was removed by the Nazis from his post as Ambassador to Rome. In September, 1944, he was hanged at the Ploetzensee in Berlin as one of the leading conspirators in the almost successful plot against the life of Adolf Hitler. His diaries, which cover the period between those two events, not only narrate the progress of the conspiracy but contain an almost week-by-week record of the political and moral climate within Germany and German Europe in those disastrous years. That a political conspirator should keep a diary is in itself an extraordinary thing; it is still more extraordinary that Hassell should have written so unreservedly as to incriminate dozens beside himself should the papers have been discovered by the Gestapo.

From the beginning Hassell was bitterly opposed to the Nazis. He was appalled by their satanic cruelties, disgusted by their demagogic incitements. They had, he believed, debauched the German mind, destroyed the social fabric and started Germany on a road that could lead only to ruin. For him the only question was whether the Nazis could be got rid of and the disaster averted. Hassell was a friend of Sir Nevile Henderson and worked feverishly, and of course fruitlessly, to forestall the war. After September, 1939, Hassell worked as tirelessly for an early restoration of peace, and even after Hitler's great triumphs of the following year Hassell did not wholly despair. There were many other Germans who felt as Hassell felt about the Nazis, among them many high officers of the army. There were many incipient conspiracies against Hitler, but few got much farther than talk and a little furtive planning. One who was prepared to go much farther than talk, whenever opportunity offered, was Karl Friedrich Goerdeler, the former Mayor of Liepzig; another was Colonel General Ludwig Beck, former Chief of the German General Staff. Gradually, like-minded officers and civilians joined purposes with them, and out of this grew the plot which was hurried to a premature denouement on July 20, 1944, when Graf von Stauffenberg set off the bomb in Hitler's headquarters.

Had the coup d' etat succeeded, Herr von Hassell would probably have become Foreign Minister under the triumvirate of "regents", which was to rule Germany until all vestiges of Naziism had been removed and constitutional government under some form could be restored. The policy of this provisional government, as we gather from the memorandum drawn up by Hassell, would have been to seek peace on some basis that would have guaranteed the independence and territorial integrity of Germany according to the 1936 frontiers. It is apparent from Hassell's entry for March 29, 1943, that the conspirators were building their hopes of something better than a Carthaginian peace upon the "deep-seated differences between the Eastern and Western Allies", and it is perhaps ironic that the diarist should have found a special support for this hope in a speech by Secretary Wallace.

If the British and American statesmen knew before July, 1944, of the existence of this plot, they seem to have attached precious little importance to it. It is probable that they were then as ignorant of the great diplomatic opportunity it might have offered them as were Americans in general before the recent publication of Mr. Dulles' book, Germany's Underground.

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